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# OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT
## (a) SPECIFIC ACTIONS RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LANDLOCKED DEVELOPING COUNTRIES

Progress report by the UNCTAD secretariat

**Executive Summary**

The very high cost of international trade represents a serious constraint to the economic development of landlocked developing countries. In spite of continuous efforts to improve transit transport systems in developing countries, a great deal more work is required to overcome serious shortcomings in the physical infrastructure, and to rectify a whole range of non-physical weaknesses. As 17 of the landlocked developing countries are also classified by the United Nations as least developed countries and most transit countries are themselves developing countries facing serious economic problems, including the lack of adequate infrastructure in the transport sector, donor countries and the financial and development institutions play a critical role in providing the financial and technical assistance required to improve transit systems.

Being among the poorest countries, many landlocked and transit developing countries benefit from the "soft window" facilities made available by donor countries and financial institutions to finance infrastructure projects. However, the overall decline in official development assistance has deeply affected investment in the transport sector. Similarly, UNCTAD's work related to landlocked developing countries has been affected by resource constraints. In the last two years, priority areas of work which have achieved concrete results include: assistance in drafting or negotiating bilateral and regional agreements and arrangements, and efforts to consolidate and extend the computerization of transport and customs information systems.

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CONTENTS

| | | *Pages* |
|---|---|---|
| | **Introduction** | 3 |
| **I.** | **Activities of the United Nations Conference on Trade and Development** | 4 - 9 |
| | A. Review of progress in the development of transit systems in landlocked and transit developing countries | 4 - 5 |
| | B. Assistance in drafting or negotiating bilateral or regional transit transport agreements or arrangements | 5 |
| | C. Customs modernization and reform | 5 - 7 |
| | D. Advance Cargo Information Systems (ACIS) | 7 - 8 |
| | E. Multimodal transit and trade facilitation project in Nepal | 9 |
| | F. Transport of perishable foodstuffs in West and Central Africa | 9 |
| **II.** | **Actions by Individual Countries and International and Intergovernmental Organizations on Behalf of Landlocked Developing Countries** | 10 - 12 |

## Introduction

1. In paragraph 1 of its resolution 52/183, the General Assembly welcomed the note by the Secretary-General and the progress report of the UNCTAD secretariat of the United Nations Conference on Trade and Development (UNCTAD) on specific actions related to the particular needs and problems of landlocked developing countries.[1] The General Assembly requested, in paragraph 15, the Secretary-General of the United Nations, together with the Secretary-General of UNCTAD, to prepare a report on the implementation of the resolution and submit it to the Trade and Development Board at its forty-sixth session and to the General Assembly at its fifty-fourth session. This report has been prepared in response to that request.

2. In paragraph 6 of the same resolution, the General Assembly took note of the agreed conclusions and recommendations and proposals for future action adopted at the third Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, held in New York from 18 to 20 June 1997.[2] In paragraph 11 of the resolution, the General Assembly requested the Secretary-General of the United Nations to convene in 1999 another meeting of governmental experts from landlocked and transit developing countries and representatives of donor countries and financial and development institutions, including relevant regional and subregional economic organizations and commissions, to review progress in the development of transit systems, including sectoral aspects as well as transport costs, with a view to exploring the possibility of formulating specific action-oriented measures. The fourth meeting was held under the auspices of UNCTAD from 24 to 26 August 1999 at United Nations Headquarters in New York. The report of the meeting, including its conclusions and recommendations, is before the Board for its consideration (TD/B/46/6 - TD/B/LDC/AC.1/15).

3. In paragraph 13 of the same resolution, the General Assembly noted with appreciation the contribution of UNCTAD to the formulation of international measures to deal with the special problems of landlocked developing countries, and urged UNCTAD, *inter alia*, to keep under constant review the evolution of transit transport infrastructure facilities, institutions and services, to monitor the implementation of agreed measures, to collaborate in all relevant initiatives, including those of the private sector and non-governmental organizations, and to serve as a focal point on cross-regional issues of interest to landlocked developing countries.

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[1] A/52/329, Annex.

[2] TD/B/44/7-TD/B/LDC/AC.1/11.

Furthermore, in paragraph 14, of the resolution the General Assembly invited the Secretary-General of UNCTAD, to take appropriate measures for the effective implementation of the activities called for in the resolution. The recent activities of UNCTAD on behalf of landlocked developing countries in this regard are highlighted in section I of this report.

4. In paragraph 4 of the resolution, the General Assembly invited landlocked developing countries and their transit neighbours to intensify their cooperative arrangements and in paragraph 10 it invited donor countries, the United Nations Development Programme (UNDP) and multilateral financial institutions to provide these countries with appropriate financial and technical assistance. Accordingly, the Secretary-General of UNCTAD requested these countries and institutions to provide him with information on the actions they had taken in this regard. This information is briefly presented in section II of the present report.

5. In paragraph 12, the Secretary-General of UNCTAD was requested to seek voluntary contributions to ensure the participation of representatives of landlocked and transit developing countries in the meeting. He appealed to donor countries and relevant financial institutions to provide financial assistance for the above purpose. In response to his request, the Government of Japan made a generous financial contribution which made it possible for experts from the capitals of landlocked developing countries and resource persons to participate in the meeting.

6. High transit transport costs remain a major barrier which erodes the competitive edge of landlocked developing countries in world trade. A large proportion of their total export and import earnings goes on transportation and insurance payments. Estimates based on the balance-of-payments statistics of the International Monetary Fund (IMF) shown that in 1994 freight costs were approximately 4.0 per cent of cost, insurance and freight (c.i.f.) import values of developed economies, and 7.2 per cent of c.i.f import values of developing countries, while the average for landlocked developing countries was 14.7 per cent. On the export market, in 1994 landlocked developing countries spent 17.7 per cent of their export earnings on transport and insurance services, while the average for all developing countries stood at 8.7 per cent.

## I. ACTIVITIES OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

### A. Review of progress in the development of transit systems in landlocked and transit developing countries

7. In order to facilitate the review of progress in the development of transit systems at the above-mentioned meeting of governmental experts, UNCTAD undertook comprehensive

regional and subregional analytical studies to highlight recent developments in the transit transport sector of landlocked and transit developing countries, and made recommendations for future action.[3] These studies described the programmes that have been undertaken to improve transit transport systems and focused particularly on the impact of transit procedures and documentation on transport costs. They also highlighted the new transit transport policy initiatives taken by individual countries. These studies, together with the contribution of the regional economic commissions, provided the basis for the issues note prepared for the meeting (TD/B/LDC/AC.1/13).

### B. Assistance in drafting or negotiating bilateral or regional transit transport agreements or arrangements

8. The UNCTAD secretariat, in the context of improving the legal framework for transit transport systems, has responded to requests from member States seeking assistance in drafting or negotiating bilateral or regional transit transport agreements or arrangements. A draft transit transport framework agreement prepared for Central Asia was negotiated and signed by States members of the Economic Cooperation Organization (ECO) at Almaty, Kazakhstan, on 9 May 1998. Also, pursuant to the Ulaanbaatar Memorandum of Understanding adopted by the North-East Asia Subregional Consultative Meeting of Landlocked and Transit Countries on 22 May 1997, the UNCTAD secretariat submitted a draft transit traffic framework agreement for consideration by the Governments of China, Mongolia and the Russian Federation.

### C. Customs modernization and reform (ASYCUDA )

9. Efficient customs formalities contribute in an important way to the expedient processing and clearance of goods in transit. Major benefits can be expected when neighbouring countries use the same or compatible customs systems, which facilitates the exchange of information and further reduces delays.

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[3] "Review of progress in the developments of transit transport systems in North-East Asia" (UNCTAD/LDC/100); "Review of progress in the developments of transit transport systems in Southern Africa" (UNCTAD/LDC/101); "Review of progress in the developments of transit transport systems in West and Central Africa" (UNCTAD/LDC/102); "Review of progress in the developments of transit transport systems in Eastern Africa" (UNCTAD/LDC/103); " Selected transport and trade data: landlocked developing countries" (UNCTAD/LDC/104); "Trade and transport facilitation: case study of Mongolia" (UNCTAD/LDC/105).

10. In 1997, 126 experts, from 76 countries, two United Nations bodies, seven intergovernmental organizations and seven non governmental organizations, participated in a meeting on the use of information technologies to make transit arrangements more effective. On that occasion, experts agreed that UNCTAD should develop a transit module in the context of its automated system for customs data (ASYCUDA), which should cover all functions of customs control of goods in transit, from the commencement to the completion of the transit operation, including the release of securities where appropriate. This would lead to a comprehensive information management system to facilitate legitimate road traffic, reduce queues and target fraudulent operations.

11. In this framework, UNCTAD has developed a customs transit management module known as "MODTRS", which is included in the new ASYCUDA++ release and has been distributed to all ASYCUDA++ user countries since mid 1999.

12. The ASYCUDA++ software includes the following elements:

(a) A database to handle the large volume of transactional data that is generated by transit operations and to ensure the completeness of the information;

(b) A telecommunications network to transfer these data to places where they are needed, and to ensure the availability of the information;

(c) a selectivity module to analyse risk and target suspicious transactions, in order to ensure the validity and accuracy of information.

13. This transit monitoring system handles the TIR (Transport international routier) carnet procedure that is used by more than 40 countries in Europe and Asia, and the "T" transit documents based on the Single Administrative Document (SAD & T1). The latter are widely used in Europe within and outside the Common Transit Agreement. Other types of transit are also available, such as the pre-arrival clearance (first identification procedure) and the Export release.

14. The UNCTAD secretariat is also working closely with the International Road Transport Union (IRU) for the design of the TIR carnet management function and the integration of the IRU's "SafeTIR" in the ASYCUDA system. The functional analysis has been coordinated between the two organizations in full compliance with the TIR convention.

15. The existing module is the first step towards a comprehensive system that will expand the functionality and the geographical coverage of the system to other regions and countries.

16. ASYCUDA projects are under way or have been completed in over 70 countries worldwide, including 14 landlocked countries as well as 15 transit countries. The development of ASYCUDA has been financed through contributions from the Governments of Denmark, France, Germany, Italy, Japan, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America, as well as from UNDP, the European Union, the World Bank, the Caribbean Development Bank and the Inter-American Development Bank.

## D. Advance Cargo Information Systems (ACIS)

17. ACIS is a logistics information system designed to improve transport efficiency by tracking equipment on all transport modes (rail, road, and lake/river) and at the interfaces (ports and inland clearance depot and providing information in advance of cargo arrival. ACIS provides both public and private transport operators and ancillaries with reliable and real-time data on transport operations, such as the whereabouts of goods and transport equipment, and thus improves day-to-day management and decision-making. It also produces regular performance indicators which enable management to remedy deficiencies and to make full use of the existing infrastructure and equipment capacity.

18. Once installed at the national and subregional levels, ACIS could provide data for macroeconomic planning to foster the optimal modal distribution patterns. It can play an important role in the development of trade relations and in reinforcing subregional integration, because it enables transport operators to communicate, through modes and interfaces and over borders, the vital information which they require in order to improve their efficiency, thus reducing the costs and time of carriage along transport corridors.

19. Over the past two years, ACIS has been either partially or fully installed in various landlocked and transit countries, as follows:

(a) **Port Tracker:** The Harbour Master and Gate Pass modules are being installed in the ports of Tema (Ghana), Mombasa (Kenya) and Dar es Salaam (United Republic of Tanzania);

(b) **Rail Tracker:** At the request of users, much greater effort and resources have gone into the development and implementation of the railway module of ACIS. As a result of this approach, goods as well as

rolling stock are being tracked on railway networks in Bangladesh, Burkina Faso and Côte d'Ivoire, Cameroon, the Democratic Republic of the Congo, Ghana, Kenya, Mali and Senegal, the Sudan, Uganda, and the United Republic of Tanzania and Zambia (TAZARA). On Ghana Railways for the moment, only rolling stock is being tracked.

20. The following benefits to the railways which are currently using ACIS Rail Tracker have been confirmed both independently and by the users themselves:

(a) Comprehensive data are now available on-line for traffic and other managers. The data include such information as the position of wagons on the network; and the number of broken-down wagons, wagons that have been loaded for more than three days and wagons that are in workshops;

(b) Weekly/monthly reports for managers at various levels within railway administrations can now be generated easily. The reports include such information as weekly loading data, customer/commodity performance, average locomotive/kilometre fuel issued and train transit time;

(c) Customer information has drastically improved. In the past, it took 4-5 days to provide a customer with information about the whereabouts of the customer's wagon, but now this information can be provided instantaneously;

(d) Tangible positive results have been registered in wagon turnaround time, wagon availability and average repair time, wagon hiring charges, etc.;

(e) Where networks are connected, the operational managements of transit and landlocked countries' railways, has been integrated into the same system, thereby facilitating the circulation of transit traffic.

21. ACIS has been funded largely by the European Commission. However, funding has also been provided in the past by UNDP and the World Bank, as well as by German and French development institutions.

### E. Multimodal, transit and trade facilitation project in Nepal

22. In March 1998, UNCTAD and the Government of Nepal signed an agreement covering an UNCTAD technical assistance project aimed at the promotion of the trade and transport sector of Nepal by correcting the inefficiencies in the Nepal's transport and trade system. In this agreement, UNCTAD was requested to implement, within three years, the institution-building components of the project, namely:

(a) Technical assistance/training for trade facilitation;
(b) Installation of ASYCUDA; and
(c) Installation of ACIS.

23. UNCTAD's technical assistance, the cost of which is estimated to be approximately US$ 3 million, forms part of a major infrastructure development project (estimated to cost US$ 28.5 million) financed by the World Bank. The estimated completion date of the project is the end of 2001.

24. UNCTAD's technical assistance in the field of trade facilitation in Nepal includes assistance to the freight-forwarding industry of the country, the modernization of transport laws and the updating of insurance provisions for door-to-door transport, as well as the streamlining of procedures and the reduction and simplification of trade and transport documents. The introduction of ASYCUDA at the main customs entry points of the country began in 1996 and will be completed in the year 2000 when the new inland clearance depot at Birgunj will come on stream. In parallel with this work, the tracking of containers between Calcutta and the three border stations will be handled by the introduction of a special version of ACIS that takes into account the fact that a large share of the land transport will continue to go by road.

### F. Transport of perishable food stuffs in West and Central Africa

25. In 1998, UNCTAD signed a memorandum of understanding for technical assistance in the areas of logistics and training with the Liaison Committee for the Promotion of Tropical Fruits and Off-season Vegetables Exported from African, Caribbean and Pacific States (COLEACP). Within the framework of this memorandum, UNCTAD participated in the organization and delivery of two workshops (in Cotonou, -, in October 1998 and in Ouagadougou, -, in March 1999). These workshops identified training needs and made recommendations for the management of sea- and air-freight of fresh produce exported from West and Central Africa, including from the landlocked countries of Burkina Faso and Mali.

## II. ACTIONS BY INDIVIDUAL COUNTRIES AND INTERNATIONAL AND INTERGOVERNMENTAL ORGANIZATIONS ON BEHALF OF LANDLOCKED DEVELOPING COUNTRIES

26. The information provided by landlocked and transit developing countries, as well as by other countries and by international organizations, on activities related to the improvement of the transit transport systems is summarized in TD/B/LDC/AC.1/14. More information on action by individual countries and intergovernmental organizations was made available in statements made during the meeting of governmental experts from landlocked and transit developing countries and financial and development institutions.

27. The information received outlined country programmes to improve transit systems that are either under way or planned. Although a greater degree of detail would have made is possible to draw more substantive conclusions, the information received provides a reasonably adequate picture of the main developments, obstacles, policies and activities at the national, subregional and international levels in the area of transit transport systems.

28. The information received underlines the particular importance of the development of rail and road services in achieving better-functioning transit transport systems. The development of the physical infrastructure remains a major concern for most landlocked and transit developing countries, which have continued to make significant investments in it, subject to the availability of financial resources. The major sources of such investment, in the form of grant aid or soft loans, have been their development partners, with regional development banks, the World Bank, the European Union and Japan prominent among them. Progress has been made in improving sectoral aspects of transit transport, in particular in the development of sea and inland ports and air safety measures. Efforts have also been made to build up a broader consensus on and a better understanding of various aspects of transit trade at the national and subregional levels through a wide range of workshops for both government officials and the business community, mainly organized by international organizations.

29. Though members of the Organization for Economic Cooperation and Development (OECD) have channelled some resources to the development of transit transport systems, their financial assistance and foreign investment in the transport sector have been insufficient given that most landlocked developing countries and their transit neighbours have a relatively underdeveloped physical infrastructure. On average, a mere 9 per cent of the total official development assistance provided by OECD members in 1997 was allocated to the transport and

communication sector of landlocked developing countries, although allocations vary greatly from country to country.

30. Recently, a few countries have adopted policies and measures to encourage the involvement of the private sector in transit transport operations and to liberalize transport services. Such measures are expected to improve the commercial viability of the transit transport sector and the quality of services and to lead to a reduction in the cost to the customer.

31. The harmonization, simplification and standardization of transit procedures and documentation play a critical role in improving transit systems. Landlocked and transit developing countries that have made substantial adjustments to their trade and transport management practices in this regard have been able to achieve significant reductions in their overall transport costs.

32. Transit traffic is greatly facilitated by bilateral and regional agreements and arrangements which establish the principles and modalities that govern the development of the transit infrastructure, day-to-day management and maintenance and transit procedures. Since 1997, a number of important bilateral agreements have been signed in the field of transit transport. Their effective implementation would further reduce the delays in transit traffic caused by physical and non-physical barriers. In addition, regional transit transport agreements within the context of regional integration have been a major vehicle for promoting cooperative arrangements. In many instances, however, the implementation of such agreements and arrangements remains weak, owing to the lack of effective monitoring and enforcement mechanisms or the lack of political will on the part of the signatories.

33. At the multilateral level, there is a wide range of conventions relevant to transit traffic, which set out principles for promoting efficient and reliable transit transport systems. Accession to these conventions by landlocked and transit developing countries has so far been slow, although regional economic commissions such as the Economic and Social Commission for Asia and the Pacific and the Economic Commission for Europe have made focused efforts to promote these conventions.

34. The costs of establishing and maintaining an efficient transit transport system are often so high that landlocked and transit developing countries cannot accomplish this formidable task without support from the international donor community in the shape of advisory and technical services and financial resources.

35. Although most international financial and economic organizations do not have specifically tailored programmes to address the particular needs and problems of landlocked developing countries as a category, most of these countries are eligible for "soft window" facilities as they are amongst the poorest countries. Transport costs are a determining factor in any country's external trade performance. It is thus necessary to enhance the capacity of landlocked developing countries to participate effectively in the globalized world economy and international trading systems through increased market access, technology transfer and foreign investment, as well as through human resource development and institution-building.